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ABSTRACT

Successful conduct of business in Saudi Arabia requires attitudes and skills significantly different from those needed in the United States. Distinct societal differences can turn winning practices in one culture into failures in another. Despite Saudi Arabia's recent emergence as a wealthy marketplace, traditional values and a unique lifestyle persist. Many families have Bedouin origins, and much of the population displays the nomadic Bedouin ethos in matters concerning hospitality, respect for elders, attitudes toward time, and conversational distance and eye contact. Distinctions between acceptable and unacceptable tasks are much more pronounced than in U.S. society. These distinctions concern equality in such matters as office size and location and material possessions, and kinship (friendship, and behavior in private versus public life). In contrast to concise American business meetings, Saudi business transactions are prefaced by protracted "small talk" on unrelated topics. Certain mannerisms and taboos must also be adhered to. Authority is not likely to be delegated, and most decisions are made at the highest levels. Management practices favor a traditional approach, and organizations generally have a patriarchal structure. The organization is usually subordinated to the individual. Planning is fatalistic rather than futuristic, with staffing and leadership practices that contrast with American styles. (MSE)

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NATIONAL CULTURE-MANAGEMENT PRACTICES: UNITED STATES AND SAUDI ARABIA CONTRASTED

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Doing business across national boundaries requires interaction with people, their institutions and organizations nurtured in different cultural environments. Values that are important to one group of people may mean little to another. Typical U.S. attitudes and perceptions of various things may be at variance with other people's ideas and views of the same things. To be successful in their relationships overseas, executives of international and multinational companies must be students of culture. They must not only obtain factual knowledge, but also become culturally sensitive.

Although there are as many definitions of culture as there are anthropologists, most professionals view culture as being the sum total of beliefs, attitudes, rituals, morality, institutions and artifacts that characterize human population. In other words, culture consists of learned patterns of behavior common to members of a given society---a unique life style of a particular group of people which is transmitted from one generation to another.

Saudi Arabian accumulation of wealth during the past decade has been phenomenal. It has converted the country from a marginal third world economy into one of the world's richest marketplaces. Although the population of the country is small, its buying power is high. They are no longer members of an exotic and closed society. Instead, while maintaining their traditional values, they use their abundant incomes to exercise their tastes for modern conveniences and luxury goods.

BACKGROUND INFORMATION ON SAUDI ARABIA

POPULATION

According to 1984's estimate the population of Saudi Arabia is 8M of which 2M is made up of foreign workers. 95% of the ethnic population is Arab and 99% are Sunni Moslems. Approximately 40% of the population is under 20 years of age so opportunities for a wide range of goods - from home computers to sporting equipment - remain considerable.

HOLY PLACES

Mecca and Medina are the holiest shrines for the moslems world over and they attract millions of pilgrims every year.

LANGUAGE

Arabic is written from right to left.

SAUDI MANUFACTURED GOODS

Today, Saudi manufacturers are producing a number of products, including travel bags, dry-cell batteries, fire extinguishers, matches, ball-point pens, carpets, perfumes, soaps and detergents, fruit juices, plastic containers and bakery products.

THE U.S. SHARE OF THE SAUDI MARKET

Saudi Arabia is at present approximately a $40 billion importer market for goods and services. In 1982 U.S. exports totalled $83 billion and it was the sixth largest export market with 21% market share.

In 1985 the Saudi Market became the tenth largest U.S. export market and while the American market share dropped to 17%, the Japanese market share of the Saudi market increased to 26%. In 1985 Saudi Arabia imported close to 300,000 cars, over a million clocks, almost 400,000 vacuum cleaners, about 200,000 sewing machines, almost 400,000 calculators, over 16 million wrist watches, almost half a million TV sets, about 800,000 air conditioners and over 820,000 refrigerators, as well as many other consumer goods.

This article contrasts the cultural traits, and their impact on management practices, of the inhabitants of Saudi Arabia with that of the U.S. Obviously in such discussions, generalities are stated that do not apply in all cases. Nevertheless, an understanding of these fundamental differences will be helpful to those who hope to succeed in Saudi Arabia.

CUSTOMS AND VALUES

Many Saudi families have Bedouin origins and a large sector of the population exhibits characteristics of the Nomadic Bedouin ethos including:

Hospitality

Entertaining a guest in Saudi Arabia is considered almost a sacred trust and that person is to be treated as well or better than one's own immediate family. It is a symbol of man's status and personal quality to be hospitable to others. To refuse another's hospitality is to insult him by denying him the opportunity to display his valued qualities of character, generosity and fellowship. Even when it is inconvenient, one is under compulsion to accept another's hospitality. Furthermore, just as he is willing to extend hospitality to others, he expects them to be hospitable to him also.

When a Saudi businessman comes to the U.S. and calls on an American executive, he expects enormous hospitality. If the American says: "I am free for 30 minutes in the office tomorrow," or "I am free for lunch next week", he might just have lost a lucrative business contract. To a Saudi, hospitality should be immediate.

Respect for Elders

Saudis, in comparison with their American counterparts, demonstrate strong visible respect for their elders and those in authority. In Islam, there is a profound respect for knowledge and experience. Since these qualities are normally associated with age, respect for one's elders in Saudi Arabia, a conservative Muslim country, is deeply ingrained. A sense of hierarchy is particularly strong in the family. A young person, for instance, will automatically rise to his feet when an elder relative enters the room.

Attitude Toward Time

Because of the nomadic background, the Saudis are slow to relate to organized systems and technological developments. Specifically, a Bedouin is concerned with a time frame which focuses on months and seasons, and he therefore, has difficulty relating to the premium placed on the efficient use of short time intervals in the U.S. Americans tend to set time objectives for the completion of tasks; whereas, Saudis do things at a leisurely pace, unmindful of interruptions because there is no compulsion to finish at a given time. Long waits for appointments are typical and interruptions may be frequent.

Americans feel more at ease when starting and completing appointments at scheduled times, and each party gives the other his or her undivided attention. In the U.S., giving a person a deadline is a way of indicating the degree of urgency or relative importance of the work. But in Saudi Arabia, the American runs into a cultural trap the moment he opens his mouth. "Mr. Adnan will have to make up his mind in a hurry because my board meets next week and I have to have an answer by then", is taken as indicating that the American is overly demanding and is exerting undue pressure.

Conversational Distance and Eye Contact

Saudis and Americans also have a different sense of distance. When conducting business, the former feels more comfortable at a distance of about two feet - whereas the latter tries to maintain about five feet distance between himself and those he is conversing with. This is a subconscious behavior of which neither party is fully aware. The closer stance of the Saudis enables them to discern much more from eye expressions. Although it has been demonstrated that the pupils dilate when one is in agreement and contract on disagreement with what another person has said, Americans have never learned to make this discernment except by mechanical measurement. Arabs have used this way of interpreting nonverbal communications for centuries.

OCCUPATIONAL DIFFERENCES

In Saudi Arabia, the distinctions in what tasks are acceptable to do are much more pronounced. In a professional position, a person would simply depend on someone else to perform various services. In the U.S. people pride themselves on not being "afraid to get their hands dirty" even though they are employed in professions that do not require manual tasks.

Equality

Although Americans pride themselves on their openness and democratic attitude, they tend to treat service people as if they were invisible, ignoring such workers as bellhops, waiters, maids, and taxidrivers, except to give them orders. In Saudi Arabia, people learn from their upbringing that every person is due visible respect and dignity irrespective of status, and the following symbols of status are not always used to identify individuals in authority.

(a) Office Size and Location

The location of an office and its size constitutes a poor index of the importance of the man who occupies it in Saudi Arabia. For instance, U.S. policy calls for the president or the chairman of the board to have the largest office. The executive vice president will have the next largest, and so on down the line. More important offices are usually located at the corners of buildings and on the upper floors. Executive suites will be on the top floors. The relative rank of vice presidents will be reflected in where they are placed along "executive row". Americans who are crowded will often feel that their status in the organization is suffering. Not so in Saudi Arabia. The president may be in what for us in the U.S. is a small, crowded office.

(b) Material Possessions

Material possessions, large space, and the proper surroundings signify that the people who occupy the premises are solid citizens, that they are dependable and successful. Saudi businessmen look for something else - family, connection, friendship. They don't use the furnishings of their office as part of their status system; nor do they expect to impress a client by these means or to fool a banker into lending more money than he should. They like good things, too, but feel that they, as persons, should be known and not judged solely by what the public sees.

Kinship

(a) Friendship

The American finds his friends next door and among those with whom he works. We take people up quickly and drop them just as quickly. Occasionally a friendship formed during school days will persist, but this is rare. Here there are few well

defined rules governing the obligations of friendship. We don't use our friends to help us out in disaster as much as we do as a means of getting ahead. In Saudi Arabia the attitude to friendship is very different. Your friends are like family members and will not let you down. They are supposed to look out for your interests. Friendships in Saudi Arabia are not formed as quickly as in the U.S. but go much deeper, last longer and involve real obligations.

(b) Private and Public Life in Saudi Arabia

Personal life in Saudi Arabia is largely centered around one's family and social interactions among families. Large residences where three or more generations live with their wives and minor children are still very common. In Saudi Arabia family is a very private part of one's life. Outsiders seldom penetrate deeply into this world and certainly do not pry into an associate's family affairs by asking personal questions that would be considered very rude. A foreign businessman should not discuss his host's wife, daughters or his own in Saudi Arabia. The extended family's impact on the foreign firm derives from the fact that it is a source of employees and business connections. The trust that people place in their relatives, however distant, may motivate them to buy from a supplier owned by their cousin's cousin even though the price is higher.

A word of caution, however, must be given that this apparent segregation of women in Saudi Arabia does not imply that they have little voice in what the family buys or how it acts. Despite the outward appearance of male domination, behind closed doors, women exert a far more powerful influence.

While personal life in Saudi Arabia is very private, the public domain is very open. Business falls into the realm of public life. In public areas, queuing is

not practiced; people push or yell to get attention ahead of others. In offices it will be common for a businessman to arrive for an appointment and find other businessmen already in the office or others may wander in while business is being transacted. It has its advantages in Saudi Arabia. Since the knowledge of the transaction is public, one would not risk tarnishing the family reputation by defaulting. In the private family world, there are great pressures toward honorable behavior since reputations rub off on all family members. This is often disconcerting for Americans, who consider business transactions to be very much in the private domain.

PRELIMINARY SMALL TALK

In the U.S. culture, salesmen are in the habit of getting to the point rather quickly. They rush ahead into talking about business as soon as they meet their prospect. Not so in Saudi Arabia. Business decisions are often prefaced by long and protracted conversations - "small talk" on unrelated topics. The small talk serves the purpose of evaluating the other person while establishing trust and rapport, an important process because objective evaluations (e.g. references and financial statements) are relied upon less.

Mannerism and Taboos in Saudi Arabia

a) Hand Shakes and Kissing of the Cheeks

Hands are shaken and cheeks are kissed in greeting and it is customary to look a man straight in the eye when talking to him - to build trust and confidence.

b) Exposure of the Feet

The display of the sole of the foot or shoe is one of the worst possible insults

in Saudi Arabia. If you cross your legs while sitting, keep the feet pointed toward the floor.

c) Gift Bearing

Gift giving is an important aspect of every business person's life both here and overseas. Entertainment outside office hours and the exchange of gifts are part of the process of getting better acquainted. However, the language of gift giving varies among cultures just as the spoken language does. In Saudi Arabia horseriding and hunting paraphenalia go well. Flowers are not normally used as gifts. To make a real hit, give a Sheik a hunting falcon.

Level of Contact

Business customs in a given country seem to emphasize one of three kinds of contacts: top-level, middle management, or group contact. In Saudi Arabia executives are reluctant to relinquish their authority so business contacts are made at a relatively high level of management - unlike in the U.S. where there is a considerable delegation of authority.

It is unwise to do business in Saudi Arabia without a local partner. He is the key figure to business success in the area and must accordingly be selected with great care. He must be approached with the respect due to a person who is probably personally operating a multimillion dollar business enterprise. This often explains the large delays in seeking interviews; one would not expect an immediate interview with, for example, the Chief Executive of GM and he is probably poorly paid compared to the profits earned by a successful Arab businessman.

INDIGENOUS MANAGEMENT PRACTICES

Management practices in Saudi Arabia favor a traditional approach influenced by the culture, history and socioeconomic characteristics of that region. These practices are compared in accordance with the academic delineation of managerial functions. A distinction must be made between large companies which adopt western management techniques for international operations and small companies which exhibit indigenous management practices.

Organization Structure

As a general rule, Saudi companies tend to be patriarchal, owned and managed by a select group of male family members. The typical company structure is horizontal in nature rather than vertical as found in the U.S., reflecting the notion of egalitarianism. The job descriptions are flexible to accommodate the need for frequent cross-delegation of responsibility among managers. The American conception of bureaucracy begins with the organization and then recruits personnel to fit the design and functions of the organization. The American tends to accommodate executives to organizations; the Saudi tends to acommodate organizations to executives.

Organization vs Self

Because most American organizations of wide repute command prestige in the society, the individual employee is thereby claiming social esteem by identifying the self with the prestigeous organization. For instance in reply to the question, "What do you do?", "I am with Harvard University.", an American individual considers himself/herself subordinate to the organization. The Saudies, on the other hand, because of their emphasis on the person, consider the

organization to be of secondary importance.

Planning - Fatalistic vs Futuristic

The Saudi approach to planning is ad hoc and less systematic than in the U.S. The Saudi mentality is fatalistic, believing in predestination. That is, they believe that the affairs of the world, nations, organizations, individuals and all else have been worked out by God. Nothing can be done to alter fate. They find it futile to be concerned with the future for what is the use of thinking ahead when predicting the future and one's control of it appears impossible? Companies in Saudi Arabia generally plan with the objective of establishing self sufficiency in operations through carefully anticipating future needs, reducing their dependence on unreliable suppliers, and limiting future long term agreements. This provides a glaring difference with the American approach to planning which is futuristic, employing sophisticated planning techniques.

Staffing Policies

In contrast to the American approach to hiring, which is generally based on objective employment criteria - candidates' academic qualifications and work experience, the Saudi businessman usually hires on the basis of affiliation, friendship and the right social origin. Local personnel managers are prone to fill the best jobs with family members regardless of their qualifications. Since business success in Saudi Arabia depends heavily upon personal influence and his ability to develop new contacts. This characteristic of staffing emphasizes the importance of skills in interpersonal relations relative to technical competence.

a) <u>Personnel Evaluation</u>

The evaluation of the job performance of an American employee by his manager would

tend to affect the likelihood of success or failure of the subordinate in the corporate structure. The emphasis here is primarily on job performance, not the personality of the subordinate. An employee is a net asset or a net liability to the organization, in the opinion of the manager, he gets promoted if an asset, but fired if a liability, not so in most cases in Saudi Arabia. Here considerations take place within a religious parameter. Firing somebody may not please God, he has to support his family. Companies often carry employees on the payroll who do not effectively contribute to the operation of the business. Thus, businesses are hindered in their attempts to achieve their full potential due to the effect of this indigenous management practice.

b) Promotion

A typical American subordinate expects his/her promotion and future with the organization to depend substantially on initiative and performance on the job. In Saudi Arabia on the other hand it is a system of interpersonal relationships extending from the lowest to the highest levels of the corporate structure which influence upward mobility. Here personal loyalty and good will over and above competence is valued more by the executive for promotion.

Leading

a) Top Management Decision Making

Decision making in Saudi Arabia is centralized in those influential top managers who have learned the trust and respect of the extended family.

Consideration of changes to be made is initiated by the key managers, but prior consultation with important family members is a necessary aspect of decision making. This process of developing a consensus before making a final decision

creates an atmosphere of open communications, but it slows down the decision making process. The traditional respect for elders and those in positions of responsibility, deriving from the tribal tradition, returns the implementation of finalized decision to those in authority. It should be noted that while initiation of change and implementation of decisions is in the hands of a few, a consensus must be developed among important family members in the company. This requirement of a consensus creates a sense of commitment among company managers which aids implementation of change.

b) Leadership Styles

In Saudi Arabia the executives are reluctant to relinquish their authority. The leadership is highly authoritarian. The Arabs, because of their Bedouin origins, believe that corporate entities need strong leaders who are willing to force their wills on their organization; consequently, even insignificant matters are often pushed up the organization by the personnel for top level decisions. Rarely would the employees initiate any activities. American leadership on the other hand allows middle management greater authority and in return expects accountability. American employees and managers tend to be comparatively more action oriented because of this delegation of authority.

c) Motivation

The carrot and stick philosophy that motivates many employees in the U.S. fails in Saudi Arabia. Direct exertions of authority offend traditional notions of self-respect and threats (to employees) by superiors are actually counterproductive to properly motivate a Saudi employee. Criticism, constructive or otherwise, is not at all appreciated. You can be pushy in the U.S. and get results. In Saudi Arabia if you push, you get just the opposite. To motivate a Saudi employee, a

manager appeals to the employee's ego and sense of pride. This is done by offering incentives which provide the opportunity for the employee to receive social recognition from the peers.

Controlling

Most companies in Saudi Arabia have informal control mechanisms like routine checks on performance. A central problem in this respect is that there is no personal shame for failing to perform up to industrial standards. In the U.S. there are fairly advanced controlled systems focusing on cost reduction and organizational efficiency.

Conclusion

The successful conduct of business in Saudi Arabia requires attitudes and skills significantly different from those needed to operate in the U.S.A. An American executive who is convinced that his successful managerial practices can be implemented intact in Saudi Arabia with the same level of success may become disappointed. There are distinct societal differences that turn winning practices into failures in another. Through awareness of such differences the American executives of international and multinational firms can develop more imaginative and effective approaches to management policies and strategies in Saudi Arabia.